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Next 1 Page(s) In Document Exempt

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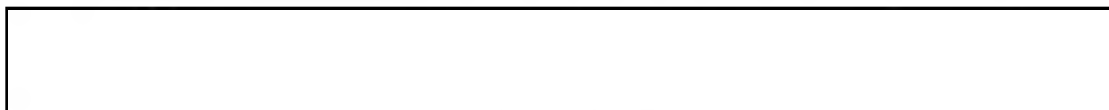
25X1



*C O N T E N T S*

Spanish Opposition to Go Easy During Early Part of Transition . . . . .	1
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25X1



Portuguese Government Takes Action to Establish Its Authority. . . . .	6
Shaky Start Bodes Ill for Canada's Economic Control Program . . . . .	8
A New Try for a Common Energy Policy . . . . .	10
Compromise on Agriculture Falling Apart at Multilateral Trade Negotiations . . . . .	12
One Small Step for Direct Elections to Europe's Parliament. . . . .	13

October 28, 1975

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~~CONFIDENTIAL~~

25X1A

Spanish Opposition to Go Easy During Early Part  
of Transition

Various Spanish opposition groups indicate that they will avoid direct challenges to General Franco's successors at least during the initial phases of the transition period.

- A leading official of the Communist-dominated Workers' Commissions told the US labor attache that the commissions have spread the word to their members to avoid strikes and other protests during the transition period.
- Felipe Gonzalez, secretary general of the Spanish Socialist Workers' Party, told Ambassador Stabler that his party will give Prince Juan Carlos "a chance" to open up the political system.
- A Basque Socialist party official echoed Gonzalez' sentiments.
- Gonzalez believes that Spanish Communist Party leader Carrillo will adopt the same attitude despite the contradictory statements made by Communist Party officials.
- A close associate of Enrique Tierno Galvan, leader of the Popular Socialist Party and a rival of Gonzalez, claims that his party will not make trouble, at least initially.

These comments suggest that most political groups believe full-scale opposition tactics at this time would only prejudice their long-term interests

October 28, 1975

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and invite repression. Their future course will, of course, depend on their assessment of Prince Juan Carlos' performance.

The first clues as to Juan Carlos' intentions should appear in the nationwide speech he is expected to make after the transfer of power ceremonies. He hopes to form a new government and its composition will be used by opposition groups to measure how far and how fast Juan Carlos is prepared to press for change.

The new head of state will not be able to satisfy all shades of political opinion, but he has a good chance of winning the support of a commanding majority if he develops a policy that clearly departs from the tenets of Franco's rule without appearing to be an abrupt rupture from that era. Thus, he will have to make some progress toward establishing a freer political system, but only gradually, and with clear indications that the evolution is being tightly controlled by competent authorities.

Inevitably there will be some trouble regardless of how skillfully Juan Carlos manages this process. Fifteen alleged members of the far left terrorist organization, Anti-Fascist and Patriotic Revolutionary Front, were arrested over the weekend, but the group will continue--and may intensify--its terrorist campaign once Juan Carlos becomes King.

Violence from the extreme right may also increase. On Sunday, a right-wing group called the Death Commandos publicly ordered 17 prominent Catalans associated with leftist political groups to leave the country within 24 hours of Franco's death or face execution.

The military, and to a greater extent the police forces, are maintaining a low-level alert status.

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October 28, 1975

**CONFIDENTIAL**

25X1

Approved For Release 2005/08/22 : CIA-RDP79T00865A002000240001-4

Next 2 Page(s) In Document Exempt

Approved For Release 2005/08/22 : CIA-RDP79T00865A002000240001-4

CONFIDENTIAL

25X1A

Portuguese Government Takes Action to Establish  
Its Authority

The Portuguese government appears to have emerged from the events of the past few days with its authority somewhat strengthened despite a series of terrorist bombings and a spate of coup rumors.

On his arrival Saturday in Porto, Prime Minister Azevedo said authority and discipline would be reinstated in Portugal "at any price." Although Azevedo's words at a pro-government rally later in the day were not as strong, the Prime Minister's trip to Porto signaled his strong support for the northern commander's efforts to restore military discipline.

These efforts had been undermined earlier this month by Army Chief of Staff Fabiao when he acquiesced to the demands of rebellious soldiers.

The Prime Minister said his visit to Porto was the first in a series to various parts of the country. He presumably will use the visits to mobilize popular support for his government.

The Communists urged their supporters not to attend a rally for Azevedo, but his appearance in Porto drew about 100,000 people. The anti-government demonstration last week in Lisbon drew only about 13,000.

The government has also taken other measures to strengthen its authority. On Friday it announced new commanders for the Republican National Guard and the civil police. On Monday Cavalry troops blocked

October 28, 1975

CONFIDENTIAL

Communist-instigated farm workers from taking over a privately owned farm in central Ribatejo, and in Faro, on the southern coast, the army helped to remove leftist demonstrators who had occupied the civil governor's mansion.

The military alert announced on Friday ended abruptly on Saturday with the explanation that the country is now calm. Whatever the reason for the alert--it may have been politically motivated--it appears to have been skillfully used by the government to at least temporarily seize the initiative and marshal its forces.

25X1

October 28, 1975

CONFIDENTIAL

25X1A

Shaky Start Bodes Ill for Canada's Economic  
Control Program

The Trudeau government's new program of wage and price controls is off to a very shaky start even before the formal enabling legislation has passed parliament. The US embassy notes that this inauspicious beginning raises doubts about the program's future success.

The strike by a major postal union over wage demands far in excess of those allowed under the program's wage guidelines continues to keep the postal system closed for the eighth day. Neither the government nor the union has given ground and no settlement is in sight. General labor opposition has also been growing. The Conference of Public Service Unions, for example, gave Labor Minister Munroe's plea for support a hostile reception and followed with a vote opposing the wage controls. The left wing New Democratic Party, which relies on labor support, has come out against the controls.

Mild support has come from the Progressive-Conservative Party, the press, and business leaders. All the provincial premiers, with the exception of Alberta's Peter Lougheed, have expressed some support for Ottawa. Late last week British Columbia's New Democratic premier, David Barrett shifted from opposition to the program to a position of limited support. The government has been disappointed, however, by the failure of all of the provinces, except Quebec, to set up anti-inflation review boards to share the administrative load and to remove some of the onus of unpopular rulings from the federal Anti-Inflation Review Board.

October 28, 1975

CONFIDENTIAL



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Approved For Release 2005/08/22 : CIA-RDP79T00865A002000240001-4

The nationwide sales campaign by the government ministers has resulted in confusing statements which have not helped clarify the program and have failed to project an image of confident management. Even the Prime Minister has added to the confusion by appearing to tell workers they could get wage increases in excess of the guidelines and in the same speech saying that the government would take away excessive wage boosts through increased taxation.

The embassy foresees some possible problems for the US under the new controls. The attempt to establish separate price schedules for domestic and export markets, the failure to bring import prices under the controls, and the repercussions should a US controlled firm be among the first penalized under the price control enforcement procedures, are all potentially troublesome.

Trudeau's threat to impose even more stringent controls should his current anti-inflation program fail can not be discounted. He has shown in the past that he is not afraid to use firm and highly visible measures when confronted with a crisis.

25X1

25X1

October 28, 1975

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25X1A

A New Try for a Common Energy Policy

Commission Vice President Simonet is making a major last-ditch effort to achieve a common EC energy policy. His proposals contain something for each of the Nine--including the independently minded British--and could provide a new impetus for bargaining in this long-stalled area.

Simonet is holding his plan closely but apparently would ask the member states to agree:

- to speak with one voice on energy matters internationally. The UK would have to give up its demand for a separate seat at the Conference of International Economic Cooperation, formerly the producer-consumer conference, now broadened to include development questions in addition to energy. France would not have to join the consumers' International Energy Agency, but would have to stop impeding its work.
- to act together in a supply crisis. France has considered such a commitment provocative to the oil producers and the UK has feared it would involve sharing control of North Sea oil.
- to guarantee the profitability of investment by community producers. Designed as a major inducement to

October 28, 1975

CONFIDENTIAL

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Approved For Release 2005/08/22 : CIA-RDP79T00865A002000240001-4

the UK, this is the key to the Simonet program.

--to share information about oil supplies, nuclear power, and other energy matters.

Another possible element in the program would be a scheme for countries such as West Germany, France, and Italy to provide capital to speed up production particularly, but not exclusively, in the North Sea.

The Commission is to discuss Simonet's proposal October 29 and could approve a version of it within a few days. Simonet may then decide to submit it to the EC heads of government meeting in Rome on December 1 and 2.

A political decision by EC member states on whether to seek a common policy hinges primarily on the Wilson government. Foreign Minister Callaghan has insisted that London should have its own seat rather than accept EC representation at the conference on international economic cooperation. He has been keeping even his own subordinates in the Foreign Office guessing whether his attitude is merely a negotiating tactic. Discussion of Simonet's proposal in Rome might smoke him out.

New momentum toward a common EC energy policy could conflict with the scheduled international economic cooperation conference in Paris in December, if the British, for example, were to ask for more time to develop a community position. Rebuff of the Simonet initiative, on the other hand, is likely to bring EC efforts to find a common energy policy to an end for some time to come.

25X1

October 28, 1975

CONFIDENTIAL

25X1A

Compromise on Agriculture Falling Apart at  
Multilateral Trade Negotiations

The EC Commission is encountering problems--particularly with France--in trying to get the Nine to agree to a compromise reached earlier with the US on how to negotiate agricultural issues in the multilateral trade negotiations in Geneva. Agricultural discussions in the trade negotiations have been stalled by a long-standing US-EC dispute. The EC wants to negotiate agricultural questions separately from other trade discussions while Washington favors integration of agricultural issues with talks in other negotiating groups.

At a meeting of EC representatives in Geneva last Friday France and, reportedly, two other members objected to the agreement that had been worked out only a week before by EC Commissioner Soames and US special trade representative Dent. Concern over the compromise itself was also related to the US desire to keep discussion of international grain reserves in a separate London forum and out of the Geneva talks at this time.

The chief EC negotiator has called for a meeting next week of the EC committee charged with trade policy and may discuss the member states' reservations with the EC committee of permanent representatives in Brussels on Thursday. The official believes these committees are more likely to support the compromise than the lower-level group of EC representatives in Geneva. Paris may prove difficult to bring around, however, feeling that any give by the EC could endanger the EC's common agricultural policy.

25X1

October 28, 1975

25X1A

One Small Step for Direct Elections to Europe's  
Parliament

An ad hoc committee set up by the ambassadors of the EC Nine to the Community has completed its study of proposals for direct elections to the European Parliament. If the present schedule holds, their "options paper" will be examined next month by the Foreign Ministers and their report then passed to the heads of government who are meeting in Rome on December 1-2. Even if all goes well, however, it seems increasingly unlikely that the target date of 1978 for the first such elections will be met.

The committee used a European Parliament study--the Patijn report, which was prepared and adopted last January--as the basis for its deliberations. The issues involved are thorny and many. Among them:

- The Rome Treaty provides that the procedures for the elections must be uniform throughout the Community. The Patijn Report recommended that national procedures be used in 1978, but that a uniform system should be ready by 1980 for use in 1983 elections.
- A single election for Parliament, rather than staggered balloting to coincide with national elections, is expensive. It could also prove embarrassing to a government in power if an off-year election showed a drop in the popularity of government parties. However, a single Community-wide date could be expected to have greater impact on European public opinion.

October 28, 1975

- The Parliamentary report would allow a deputy in the European Parliament simultaneously to hold a seat in the national legislature. Such a procedure, however, would give rise to a number of potentially awkward administrative and political problems.
- The report recommends an increase in the number of parliamentarians from the present 195 to 355. This raises questions as to how the increment would be apportioned as well as concern in some quarters over the additional expense.

These procedural matters, however, are overshadowed by the larger question of expanding Parliament's now very limited powers. Proposals looking toward this have proliferated this year and they will be examined in a report being prepared by Belgian Premier Tindemans for the EC heads of government. Few persons would prophesize any meaningful increase in Parliament's role over the near term, however, especially in view of current British and Danish reservations. Direct elections by themselves would not appear to enhance significantly the Parliament's role, but the hope of those enthusiastically supporting this development is that a popularly elected Parliament would soon insist on a politically significant role within the Community.

25X1

October 28, 1975

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